



APR 24 1997

Dear Chairman Hundt:

## 1. Connecting Schools and Libraries

We also strongly urge that the widest feasible range of providers should be entitled to receive money from the universal service fund if they furnish qualifying services to schools and libraries at discounted rates. Section 254(h)(2)(A) of the 1996 Act charges the Commission with establishing "competitively neutral rules" to enhance access by those entities to both "telecommunication and information services." Maximizing the number of eligible providers would likely increase the number of

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potential suppliers to schools and libraries. Additional competition should, in turn, reduce the prices that those institutions must pay, as well as expand the range of services, particularly advanced telecommunications and information services, made available to them. Moreover, competition will ensure a more efficient use of the fund as prices are pushed downward.

Finally, the Commission should ensure that mechanisms are in place to implement the discount plan. Thus, for example, it should not only select a Fund Administrator, but it should clearly delineate the Administrator's duties (e.g., assessing and collecting contributions to the fund from carriers, disbursing funds to service providers, maintaining a database of services provided and rates charged to particular schools and libraries for use by others). The Commission should also, in NTIA's view, specify that Requests for Proposals (RFPs) should be the vehicles by which schools and libraries solicit and providers furnish qualifying telecommunications services.

## 2. Rural Health Care Clinics

The 1996 Act establishes the principle that rural health care providers are entitled to receive "telecommunications services which are necessary for the provision of health care services" at prices that "are reasonably comparable to rates charged for similar services in urban areas."<sup>1/</sup> NTIA believes that the largest pricing disadvantage faced by rural health care providers are the distance and usage charges associated with many of the services they purchase. For example, the average annual charge for a T-1 circuit in rural areas is at least three times that in urban areas. Similarly, if a rural health care provider wishes to connect to an Internet Service Provider in order to access and retrieve medical information, the provider frequently must incur toll charges that an urban counterpart does not. For these reasons, NTIA recommends that the Commission take appropriate steps now to ensure that qualifying services provided to rural health care providers do not include distance-sensitive elements and that those providers do not have to pay toll charges to access the Internet.

## 3. Support to High Cost Areas

One of the most contentious aspects of the universal service debate concerns the amount of support needed to ensure affordable service for subscribers living in high cost areas, including rural areas. NTIA favors a strong high cost program and has endorsed the Joint Board's tentative recommendation to use so-called proxy models to quantify the amount of subsidies needed.

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<sup>1/</sup> 47 U.S.C. § 254(h) (1) (A).

We understand, however, that there are legitimate questions about the ability of existing models to estimate accurately the costs of serving rural and other high cost areas. We endorse the adoption of an interim plan until such time as the new scheme is workable. Any such plan should hold steady the existing support for high cost areas, while minimizing the imposition of new assessments while further work is completed. We strongly urge the Commission to continue the Joint Board process and to work with stakeholders to improve on the existing proxy models to make them a suitable vehicle for calculating high cost support.

In addition, we urge the Commission and State regulators to coordinate their policies, particularly with regard to universal service and other interstate and intrastate pricing reforms, to ensure that the new Federal universal service regime is synchronized with the removal of implicit subsidies, thus prohibiting double recovery of costs.

#### 4. Consumer Impacts

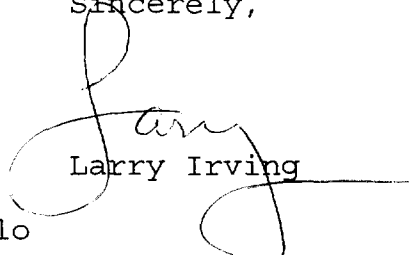
At the same time that the Commission issues its universal service order, other proceedings to implement the 1996 Act are pending on both the Federal and State levels. We believe that it is important to implement the various reforms necessitated by the Act in a manner that maximizes consumer benefits and avoids unreasonable rate shock.

The introduction of meaningful and effective competition into all segments of the telecommunication market will best provide consumers with the promises of the Act -- better choice in price and service. In this regard, we applaud the Commission and the State commissions for their vigilant efforts to implement the interconnection provisions of the Act. We appreciate the difficulty in predicting when the full effects of competition will be felt by a wide range of consumers and understand the need for transition mechanisms to move from a monopoly to a competitive market. At the same time, we urge the Commission to take immediate action to achieve a number of consumer benefits envisioned by the Act, such as affordable service to schools, libraries, and rural health care clinics, continued support for customers in high cost areas, and reductions in rates that consumers ultimately pay.

In this regard, the Commission apparently plans to complete its pending rulemaking to reform interstate access charges. A number of different plans have been offered for restructuring existing access charges, including comments filed by NTIA. In assessing these various proposals, and in crafting a new access charge plan, we urge the Commission to keep its eyes on the fundamental objective -- an access regime that garners for consumers the benefits of local and long distance competition, promotes efficient investment in the nation's telecommunications

infrastructure and, most importantly, protects customers from sharp and sudden rate increases. By so doing, the Commission will assure that its actions in the access charge proceeding will be compatible with the central purpose of universal service reform -- to make affordable basic telephone service available to all Americans.

Sincerely,



Larry Irving

cc: Commissioner James H. Quello  
Commissioner Rachelle B. Chong  
Commissioner Susan Ness